

DATE: January 21, 2015

TO: Mayor and City Council

FROM: Thomas J. Bonfield, City Manager

SUBJECT: Agreement with Research Triangle Foundation to Support Delta Airlines Paris Service

EXECUTIVE SUMMARY

As a part of a series of agreements to secure Delta Airlines' commencement of daily non-stop service to Paris, France, the owners of the airport, the City of Durham, Durham County, the City of Raleigh and Wake County have agreed to be the third level deficit backstop, if necessary. This Interlocal Agreement between the owners and the Research Triangle Foundation outlines the terms and conditions by which the owners would contribute up to \$137,500 each in the event passenger revenue does not meet financial projections during the first year of service.

RECOMMENDATION

That the City Council approve the Funding Agreement between the Research Triangle Foundation, the City of Durham, Durham County, the City of Raleigh, and Wake County to support the commencement of Delta Airlines' daily non-stop service to Paris, France.

BACKGROUND

Delta Airlines has agreed to begin providing daily non-stop service from Raleigh-Durham International Airport (RDU) to Charles de Gaulle (CDG) airport in Paris, France beginning May 2016. In conjunction with the agreement for service, a series of financial concessions and guarantees were required by RDU, the Triangle business community, and the RDU owners (City of Durham, Durham County, City of Raleigh, Wake County) totaling \$2.2 million if needed depending on how projected expenses and revenues actually resulted at the end of the first year of service. The first tier of support, if needed, is \$1.1 million from the RDU Air Service Development Program. The second tier of support, if needed, is \$550,000 raised and contributed from various Triangle area business interests and deposited with the Research Triangle Foundation (RTF). The third tier of support, if needed is a \$550,000 contribution equally split between the City of Durham, Durham County, the City of Raleigh, and Wake County. In order to secure these commitments in the simplest manner, RDU entered into a service agreement with Delta Airlines covering the tier one commitments and RTF entered into a service agreement with Delta Airlines covering the tier two and tier three commitments. The proposed funding agreement outlines terms and conditions by which the owners of RDU would equally reimburse the Research Triangle Foundation up to \$137,500 each at the end of the first year of service following a revenue expense reconciliation and audit by RDU.

ISSUES/ANALYSIS

The Delta Airline roundtrip service to Paris will begin May 2016 and will be seven days per week service except during a couple of winter months when it will operate on a six day a week schedule. Currently 1.5 million international trips are made to and from RDU each year of which 10% are carried on the current American Airlines non-stop London service. Economic impact analysis indicate this one international non-stop round trip flight will result in \$25 million net annual economic impact spending in the Triangle, create approximately 100 new jobs, and increase access to over 40 foreign markets. One international flight requires an airline operating investment of \$50-\$70 million.

FINANCIAL IMPACT

Should the City's tier three quarter share be required at the end of the first year of service (May 2017), funding would need to be appropriated in the FY18 budget along with other approved economic incentives.

SBDE SUMMARY

N/A

ATTACHMENTS

Funding Agreement